

2022 Mid-Biennium Budget Adjustment

Mayor's Budget Message

I am pleased to present to the City Council the proposed 2022 mid-biennium budget adjustment. The City Council adopted the original 2021-2022 biennial budget in November 2020. That budget process represented continued collaboration between community members, the City Council, and our City Departments. I firmly believe a budget is a road map that reflects the values of any organization. That is why I am grateful that we as City leaders were able to come together with shared values that centered around benefiting our residents and those who call Kent home.

This proposed budget invests in Council priorities surrounding equity and includes a temporary limited term (TLT) Race and Equity Coordinator and a Police Data Collection system including a Business Intelligence Coordinator. In addition, there is an investment of ARPA funds in human services and in our business community by providing small business loans to women and minority owned businesses.

OPERATING BUDGET

The 2021-2022 biennial budget presented some significant challenges due to the uncertainty related to the continued impacts of the COVID-19 crisis. As of today, there are still many unknowns regarding the timing of when things will be "getting back to normal". To exasperate those challenges, the COVID-19 crisis came right on the heels of the City facing a fiscal cliff, that with your help, we were able to manage the fiscal cliff in the 2019-2020 budget. Although we were able to mitigate the impacts of the fiscal cliff, COVID-19 delayed our ability to address the ongoing structural imbalance that the City faces each year as expenses increase annually by roughly 2.2% and City revenues increase by roughly 1.1%. As you know, this imbalance isn't unique to the City of Kent and is something most local government jurisdictions grapple with during their budget process.

The mid-biennium budget adjustment provides an opportunity to modify the budget to account for unforeseen changes in fiscal events. It is not the time to bring forth new initiatives. As a result, it is a status quo budget adjustment which focuses on changes in revenue projections and unforeseeable changes in expenditures which may have arisen since the adoption of the original budget. A huge factor impacting the 2022 budget is inflation. The Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the Seattle-Tacoma-Bellevue area as of June 2021 is 6.3%. We haven't seen numbers this high since 2008 when it was 6.2%. This will have a significant impact on the expenditure side of the 2022 budget as labor contracts are tied, at least in part, to CPI-W.

Prior to the June 2021 CPI-W being released, departments were told that it would be appropriate to seek restoration of positions lost during the budget reductions last spring. However, with CPI-W at 6.3%, that direction changed. Departments were asked to limit their operating expenditure requests; keeping the requests to only those items that were unforeseeable when the original budget was passed. In addition, this budget process is unique as we have included budgets related to additional capital and American Rescue Plan Act (ARPA) funds available to the City in 2022. This mid-biennial budget adjustment includes:

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- Updating revenue forecasts,
- Some additional operating expenditures,
- Adding positions as temporary limited term (TLT) to minimize the impact on future budgets,
- Modifications to cost allocations,
- Investing in capital, and
- Planning the use of ARPA funding

Of the total \$420 million budget, \$128 million is allocated to the General Fund. The General Fund will see a \$17.7 million or 16% increase in expenditures from the adopted budget. Much of the increase in expenditures are offset by revenue adjustments leaving a gap of \$1.7 million in which fund balance will be utilized. Much of that gap is the result of utilizing fund balance to fund one-time expenditures.

The majority of the added expenditures are related to:

- Creation of a Co-Responder Model funded by HB 1590 sales tax collections,
- Creation of a Data Collection System including a data collection position that supports race and equity as it relates to the Police Department as well as managing schedules in the Telestaff system,
- Unfreezing five Police Officer positions,
- Restoration of some positions eliminated during COVID-19 budget reductions within the Permit Center, Street Fund, and the Senior Center,
- Use of fund balance to fund a Litter Strike Team,
- Additional funding for lifeguards,
- Changes already made to positions in 2021,
- Updates to cost allocation plans, and
- Increased contributions to insurance funds.

In the spring of 2020, some very difficult decisions were made for citywide reductions as we anticipated significant losses in revenue due to the COVID-19 crisis. We knew at the time some budget reductions were not sustainable and, as such, we have reinstated some of the reductions into the City's budget with this amendment.

Police

During the 2021 legislative session, significant changes in policing were made. Kent is ahead of the curve as we had already implemented some of the new laws that were enacted. With the use of the House Bill 1590 sales tax revenues, this budget adjustment includes a new co-responder model that brings together mental health professionals with law enforcement personnel. And, as we continue to be on the forefront of transparency and accountability in law enforcement, the mid-biennium budget adjustment contains funding for a data collection system including a data collection position that

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supports race and equity as it relates to the Police Department as well as managing schedules in the Telestaff system. The position will be funded by the General Fund while ARPA funding will be used to establish a platform for gathering the data. The adjustment includes unfreezing five police officer positions that were frozen during budget reductions in spring of 2020. Those positions will be funded out of the Criminal Justice Fund. Finally, \$500,000 has been set aside to begin funding for the replacement of the Police Department's Record Management System, Tiburon.

Economic and Community Development

Restrictions that were put in place due to the pandemic required the Permit Center to do some heavy lifting in order to transition to a paperless operation although the necessary technology was not in place at the time. This temporary solution has created additional work for staff and created serious backlogs in the permitting system making it impossible to meet the expectations of our customers. As AMANDA is being implemented, and as we navigate stabilization of that technology, the 2022 mid-biennium budget adjustment includes the restoration a TLT permit technician position, a building inspector, and converts a vacant temporary Engineer 2 position to a permanent Engineer 4 position.

Public Works

Public Works will create a Litter Strike Team made up of two TLT Maintenance Workers and contracted services to provide litter clean up, recycling and disposal services throughout the City over the next three years. The Litter Strike Team will be funded by one-time contributions from the General Fund of \$1 million along with \$250,000 from the Drainage Fund. In addition, Public Works will restore an Engineer 3 position within the Transportation division that was eliminated from the budget in 2020. This position is responsible for managing the City's Residential Calming Program. The recently adopted Residential Traffic Calming program modified the program to include consideration of livability in neighborhoods; therefore, requiring significantly more analysis to complete each traffic study.

Parks, Recreation and Community Services

The need for Senior services is growing across our region. As we return to full use of the Senior Center and related programming, seniors are eager to return to programs they enjoyed prior to the COVID shutdown. This budget will restore a Senior Center Coordinator as a TLT position that was eliminated during the budget reductions last fall. The budget adjustment also provides an additional \$50,000 for the lifeguard program and \$10,000 for striping and signage at Lake Meridian to address traffic and parking issues during the busy summer months.

Information Technology

In 2020, a portion of the Information Technology training budget had been reduced by \$33,680. This budget adjustment restores those training dollars. It also provides a new position to provide deskside support to internal customers while reducing the reliance on contractors to fill that role. This position

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will be funded through a reduction in the contractor services budget. In addition, the Information Technology's budget will be increased to account for rising software maintenance costs and continued need for support of our financial system.

CAPITAL BUDGET

As we begin to discuss capital and ARPA funding, it will become clear that the Facilities Team will have a large project list and a high demand to complete these projects quickly, both now and in the upcoming years. In addition, there is a backlog of work that is in queue to be completed. For this reason, this budget adjustment includes a 3-year TLT Capital Projects Manager.

The mid-biennium budget adjustment includes opportunities to invest in capital that were not present when the original budget was developed. Streamlined sales tax (SST) mitigation had been eliminated from the State's budget effective July 1, 2020; therefore, not included in the City's 2021-2022 biennial budget. However, during the 2021 legislative session, the SST mitigation was restored. The City received \$3.6 million on June 30, 2021 for the period of July 1, 2020 through June 30, 2021. Beginning in September 2021, the City will receive quarterly installments of the SST mitigation with first installment of just over \$900,000. With the restoration of SST mitigation along with realized increases in Real Estate Excise Tax (REET) revenues, this mid-biennium budget adjustment includes nearly \$5 million in additional funding of capital requests.

In addition to setting aside funds for a couple of large known future projects (Tiburon and the financial system replacement, \$500,000 each), the capital budget increase is comprised, in part, of:

- **Kent Commons Renovations.** In previous budgets, we set aside \$1.5 million for renovations at Kent Commons. This budget will provide an additional \$715,000 for HVAC upgrades and to replace the curtain divider wall in the gym. The new HVAC scope includes a new chiller, boiler, and replacement of the four racquetball court units. The curtain wall separates the gym into two rooms used for rentals and to split recreation activities. Both items are critical to the operations of the Commons and add long-term value.
- **City Hall Improvements.** City Hall is an aging building that has required and will continue to require more frequent maintenance should updates not be made to the facility. City Hall is the face of the City and where Council and other important meetings are held. By modernizing the lobby and entrances we're enhancing the overall perceptions and identity of the City. The doors and awnings are consistent problems and have significant visible rot. The doors have been a consistent security concern and in frequent need of repair. The lobby will be given a minor update, and signage in common areas will be updated to address aging, obsolete and inconsistent signage.
- **Software Stabilization.** For the past year, the City has been working diligently to implement new technology to support various departments. Many of those systems have already rolled

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out while others are nearing their 'go-live' date. Once launched, these systems require additional time for stabilization allowing for continued data conversion, maintenance, and implementation of enhancements. This adjustment includes a budget for Workday enhancements, and Telestaff, Laserfiche, and Amanda stabilization projects.

AMERICAN RESCUE PLAN ACT (ARPA) BUDGET

The City was awarded nearly \$28.2 million in American Rescue Plan Act (ARPA) grant funding. In June 2021, the City received its first distribution of nearly \$14.1 million with the next distribution of the same amount slated to be received a year later. The mid-biennium budget adjustment includes proposals for the use of some of those ARPA funds in accordance with the framework established and approved by City Council. That framework is outlined as follows: Human Services and Equity Programs (\$4.5 million), Economic Development Programs (\$9 million), Infrastructure (\$4.5 million), and Revenue Losses (\$10 million). Recognizing that over the life of the grant, the needs of the community may change; therefore, the full amount of the grant has not been budgeted and we will return to you when appropriate to bring additional proposals forward.

Managing such a large grant will require additional support within the Finance Department. The 2022 budget includes a 5-year TLT Grant Analyst position. This position will come before the City Council in 2021 for authorization to create this position so recruitment can begin this fall. In addition to the Grant Analyst position, the proposed budget includes the following ARPA funded requests:

Human Services and Equity Programs (\$4.5 million)

Of the \$4.5 million in ARPA funding allotted for Human Services and Equity Programs, approximately \$3.7 million is included in the 2022 mid-biennium budget adjustment. The remaining balance will be earmarked for Human Services and Equity Programs and allocated as we are able to assess the ever-changing needs within our community. What may be a need today may be different in the coming months or year. In addition to supporting the one-time costs associated with the establishment of a policing data collection system mentioned earlier, the proposed budget includes:

- **Building Resiliency Fund.** This resiliency fund will provide Human Services with \$1.75 million to address the emergent needs in our community and enhance Human Services' safety net. Specific investments will be a collaborative process among the Mayor's Office, City Council and Human Services.
- **Race and Equity Coordinator (3-Year TLT).** The position will help with the implementation of the City's Race and Equity Strategic Plan including the plan goals and action items. In addition, this position will assist with important equity related projects as well as coordinate the Equity and Inclusion Speaker Series.
- **Equity and Inclusion Speaker Series.** The speaker series will feature distinguished leaders who will contribute expert knowledge and diverse perspectives to our collective discussion

around concepts like race, equity, diversity, and inclusion. All interactive presentations and workshops will be free to the public. \$50,000 per year will be allocated over three years for a total of \$150,000.

- **Translation of City Documents.** \$150,000 will be allocated to begin the process of translating important documents into the top five languages spoken by the residents of Kent.
- **Community Navigator.** These funds would help implement expansion of a technical assistance network comprised of culturally competent business navigators and translator services that are currently located in South King County.
- **Human Services Planner (5-Year TLT).** The primary responsibility of this position will be to oversee and monitor the Building Resiliency Fund and provide assistance for other human services related ARPA projects. Without the additional assistance, the program's success will not be possible.

Economic Development Programs (\$9.0 million)

Currently, Economic and Community Development is researching the feasibility programs to help businesses as early as this year. Therefore, \$2.75 million has been earmarked for such an opportunity. It is anticipated a request will be brought before City Council later this year to provide increased capital for Kent-based businesses and non-profits through a contribution to the National Development Council managed "FlexFund". This is a consortium of five community development financial institutions that predominately lend to BIPOC and women owned businesses at low interest rates. In addition to this program, included in the 2022 budget adjustment to support Economic Development Programs:

- **Business Technical Assistance.** Funding would help implement expansion of technical assistance for microenterprises by contracting with a permit navigator. The permit navigator would help small businesses research site suitability from a code and cost perspective and/or design optimal use of space, and support the business owner managing construction projects, architects, general contractors, and tenant improvement build outs.
- **Support Child Care Expansion.** Working with Child Care Resources, adapt a successful Pierce County program for south King County communities. Offer mini grants to offset the very high upfront cost barriers to creating new daycares. Grants would offset upfront costs related to rent, maintenance, remodeling (soft design work, not capital), and staff wages.
- **Support Minority and Women Owned Business Accelerator Network (aka Regional BIPOC Accelerator Network).** The Seattle Chamber is co-planning with the City of Kent a network of coordination between business accelerators to expand services for growing BIPOC owned businesses.
- **Project Feast.** Project Feast, operators of teaching kitchen and restaurant Café Ubuntu, have been ineligible for nearly every previous round of federal pandemic assistance. However, the number of refugees whom they serve in our community is anticipated to grow in the next two

years. King County is leading a collaboration including this City and others, plus major non-profits in the food innovation and food training sectors, to develop a new and larger training facility and sales venue.

- **STEM Education, Youth Employment Readiness, and Pre-Apprenticeship Partnerships.** With a dedicated budget for contracting with local partners, City staff in Human Services and Economic Development can co-design a targeted program to align program partners and more holistically address long-observed barriers to participation and awareness.
- **Washington Space Consortium.** A collaboration between the Washington Space Consortium, Green River College, and Kent schoolteachers by sponsoring 10-week training modules in rocketry and small cube satellite production of UW Aeronautics and Astronautics.
- **Meet Me on Meeker.** A contribution of \$500,000 to be set aside for grant matching to remain competitive for when seeking grants for this project. This would be for construction at the intersection at 64th and for the design segments further east.
- **Willis Street/Naden Avenue Intersection Improvements.** This will add a north leg to the intersection, providing right in/right out access to the north bound left turn lanes at 74th Avenue South. This work is part of the Willis Street Gateway Improvements and includes a new signal and ancillary improvements required to secure WSDOT approval.

Infrastructure (\$4.5 million)

In the fall of 2021, the City will bring forth a proposal to allocate \$75,000 for teleconferencing room hardware. This project will create a more seamless and efficient use of the conference rooms for meetings allowing for a hybrid of attendees, both in-person and virtual. Within the 2022 mid-biennium budget approximately \$4.7 million for infrastructure funded through ARPA has been included and are outlined below:

- **Panther Lake Community Park.** This project will develop a new community park in the Panther Lake neighborhood, which is traditionally an underserved area of the City and is identified as being park deficient. This project would represent the first phase of improvements which may include: playground, restrooms, parking and stormwater, loop and nature trails, open play lawn, shelter, and connection to Soos Creek Trail.
- **Military/Veterans Drive Placemaking and Maintenance.** This funding would be used to leverage grant investment in the I-5/SR 509 gateway to create a welcoming Veterans Drive between Military Road and the Green River that will resonate with pride in our City and local veterans and military service members.
- **Council Office Move and Technology Upgrade.** This project will move broadcast equipment to the first floor and upgrade outdated equipment to provide a better viewing experience and transparency for the public. In addition, it will move the Council office and provide a publicly accessible first floor conference room.

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- **Centennial Center – Customer Service Counter Improvements.** This project is a joint venture between Economic and Community Development, Finance and Facilities. A new customer service desk and remodeling the Permit Center in the Centennial Center will provide a new customer experience in the lobby of the building while updating safety features for employees and utilizing valuable square footage inside each office space to meet the needs for meeting spaces and a growing workforce. It will address safety concerns that currently exist at the Customer Service counter and COVID has completely changed the operating model of the permit center rendering the current design obsolete.
- **Printshop Successors Project.** This project will replace and upgrade the printshop's print production equipment. With these upgrades, the printshop will be able to increase production speed and reduce turnaround times while streamlining production workflows by utilizing current digital system automation. It will allow the printshop to effectively elevate and enhance the City's overall communication and outreach efforts.
- **Security Engineer (3-Year TLT) and Related Security Stabilization Expenses (Cybersecurity Infrastructure).** Over the last nine months, the City has been building Security Operations Center (SOC) Policies, procedures, standards, and guidelines. In an effort to continue to develop and mature the SOC's, additional staff support is necessary.

Revenue Losses (\$10 million)

Of the \$10 million allocated for revenue losses, the 2022 proposed budget includes \$2.25 million for Fleet vehicle replacements. It also earmarks \$150,000 to address the revenue shortfall in the City's lodging tax that occurred throughout the pandemic. We continue to assess the citywide needs and will bring forth to City Council a proposal to utilize those funds.

CONCLUSION

We faced a number of challenges while putting this budget adjustment together. Although this is a mid-biennium budget adjustment, we continued to be mindful of the things ahead, particularly its impacts on the 2023-2024 biennial budget process. We know we have work to do with the upcoming biennial budget as we continue to navigate the structural imbalance, inflation and labor costs. This adjustment is a reflection of balancing departments service delivery needs while thinking of the impacts to future budgets. The utilization temporary limited term positions will provide us with the flexibility needed for the future.

Tonight, I respectfully transmit this mid-biennium budget adjustment to the City Council for consideration. This document is a representation of the collaborative efforts of City leadership, City Council, City staff and the Kent community. Thank you. I would like to extend my gratitude to City leadership and the Finance Department for their hard work through this process.